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Agricultural Adjustment Administration
Division of Information

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WAR MEASURES AND THE FARM MARKET

Summary



From the standpoint of the American farmer, the outstanding economic effect of the European War has been to cut down the export market for United States farm products.

Germany has been almost completely eliminated as a customer of the United States. (Page 2)

Our Neutrality Act bans credit purchases by belligerent nations and shipping to them in American vessels. (Page 2)

Britain and France are carrying out wartime control measures which cut down the American farm market in two of our best customer nations. (Page 2)

Some of the most important British and French policies affecting American agriculture are as follows:

1. Expansion of agricultural production at home. (Page 3)
2. Drawing upon accumulated supplies stored in the past. (Page 3)
3. Limitations on such "luxury" items as fresh fruits. (Page 3)
4. Rationing consumers. (Page 3)
5. Increased trading with colonies and dominions. (Page 4)
6. Increased trading with countries that extend credit and accept franc and pound sterling exchange. (Page 4)
7. Increased purchases of agricultural commodities from nearby neutrals to prevent Germany from obtaining these products. (Page 5)
8. Use of available dollar exchange to purchase munitions, especially airplanes. (Page 5)

All these factors spell out unfavorable prospects for United States agricultural exports to France and Great Britain. American farmers have to face these facts because the United Kingdom has in the past been the foremost customer of this country in farm products, and France has been our fifth best customer.

WAR MEASURES AND THE FARM MARKET

Germany Lost as Customer

In effect, Germany can be counted out as a customer of the United States because of the Allied blockade and because the Reich has practically no foreign exchange available for purchases in this country.

Total United States exports to Germany dwindled to only \$53 worth of products in January, 1940.

Neutrality Law Cuts Credit and Shipping

The Neutrality Act passed by Congress last fall denies credit to belligerent nations for purchases in this country. The Johnson Act of 1934 prohibits the floating of bonds here by foreign countries that have failed to pay their debts to the United States. As long as these two laws are in effect, there is no chance for enlarged exports sustained by credit.

Our Neutrality Act also compels belligerent nations to use their own vessels for transporting American goods. This provision, together with increased rates on ocean freight and insurance, limits the shipping facilities available to transport American products abroad.

Effective February 1, 1940, space was allotted in British vessels for shipment to Britain of 100,000 bales of American cotton monthly. This quota, effective until September 30, 1940, includes shipments of barter cotton. However, to relieve the shortage of space for commercial cotton to Britain, shipments of barter cotton scheduled for February, March, and April were deferred.

Allied War Measures Curb U. S. Farm Market

In both Britain and France, government has taken over complete control of import trade. The two nations have united in carrying out their wartime economic measures.

Apparently the general policy is to preserve foreign exchange for buying the most critical items. Britain and France have eliminated competitive bidding by unifying their purchases. They have adopted a common system of exchange between the franc and the pound sterling. Imports and prices are regulated jointly by both governments.

The United Kingdom has issued a blanket prohibition against importation of foodstuffs except under license. France has equally strict control of imports.

How the British and French policies are affecting American agriculture are discussed in detail on the following pages.

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THE HISTORY OF THE

REIGN OF KING CHARLES THE FIRST

IN THE YEAR 1649

By JOHN BURNET, BISHOP OF SALISBURY

IN TWO VOLUMES

LONDON, Printed by J. Streater, at the Sign of the Gun, in St. Dunstons Church-yard, 1680.

THE first of these two Volumes, contains the History of the Life and Reign of King CHARLES THE FIRST, from his Birth to his Execution. The second Volume, contains the History of the same King, from his Execution to the Restoration of King CHARLES THE SECOND.

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Agricultural Production Expanded Abroad

Together with other nations operating on a wartime basis, both Britain and France are taking steps to increase their home production of agricultural commodities and thus reduce their purchases abroad.

The British wartime farm program calls for the cultivation of an additional two million acres. The Government has been paying eight dollars per acre for grassland plowed up for the production of essential foodstuffs. Farmers are urged to expand the production of winter wheat, oats, barley, flax, potatoes, and livestock.

France is likewise encouraging farmers to produce as much as they can, having set the goal of supplying consumers' daily needs without drawing upon reserves. An appropriation has been made for cultivation of land within evacuated zones. Spring wheat seedings have been pushed. In order to release manpower, mandatory employment of a certain proportion of female labor has been decreed in various occupations. Importation of agricultural machinery has been facilitated to boost farm production.

Naturally, the expansion of agricultural production in these countries shrinks the foreign market for American farm products.

Reserve Stores Being Tapped Now

Anticipating a crisis, European nations have for a long time been storing up the greatest possible reserve supplies. Such efforts have been intensified since the outbreak of war. For example, the United Kingdom has imported larger than usual quantities of canned goods, and purchases of cotton have already greatly exceeded consumption needs for the entire 1939-1940 year.

Luxury Items Limited

Wartime restrictions on certain "luxury" items have the effect of reducing United States exports.

Both Britain and France consider fresh fruits to be in the luxury class. Joint control measures have prohibited the importation of United States apples and pears and have resulted in decreased shipments of oranges and other fruits from this country.

The United Kingdom, ordinarily the principal market for most American canned fruit exports, has prohibited the importation of canned and bottled fruits except under license. It has been stated that no licenses will be issued for such imports after the effective date of the order, March 19, 1940, until present stocks are greatly reduced.

Food Rationed

Rationing of consumers in belligerent nations, as well as in some neutral countries, necessarily places limitations on the world food market.

Rations in Great Britain, for example, limit the consumer to 12 ounces of sugar, 8 ounces of butter, and 8 ounces of ham and bacon per week. In addition,

the sales of butcher meats (beef, veal, mutton, and pork) are rationed on a value basis of approximately 37 cents per week for each individual over six years of age.

France has placed limitations on the amount of bread served at public eating places, on the sale of pastries, on the number of dishes and the amount and variety of food served in restaurants. On designated days of the week the French are not permitted to eat or drink specified foods and beverages, notably meats, sweets, and alcoholic drinks. The issuance of food ration cards has been ordered.

Trade with Colonies and Dominions Increased

With their arrangement for unified economic action, France and Great Britain can do a great deal more trading with their own and each other's colonies and dominions.

As a matter of fact, the share of British foodstuffs supplied by the Empire countries increased by about a third from 1931 to 1938 (using 1927-29 as the base period for index numbers). Since the outbreak of war Great Britain has concentrated even more on trade with her own colonies and the Dominions.

For instance, Great Britain has made an agreement to purchase New Zealand's exportable surplus of slipe wool for the duration of the war and one year afterwards. Great Britain has also arranged to take the entire Australian surplus of dried and canned fruits.

France likewise is attempting to expand trade with her colonies in Africa and elsewhere.

Moreover, French colonies are open to British trade just as the colonies and dominions of the British Empire are accessible to France. The system of exchange between the franc and the pound sterling enables France and England to rely more extensively on the markets within their common orbit.

Trade Increased with Countries Extending Credit and Accepting Franc and Pound

By buying from countries that extend credit to them, France and England can save their foreign exchange reserve. Since the United States has a cash and carry policy, it is to the advantage of the Allies to divert purchases to credit-giving nations.

Countries that accept the pound sterling or the franc also have an advantage over the United States in bidding for British and French trade. Particularly because the dollar value of sterling has decreased, the Allies can get more products per pound sterling from other countries than from the United States. For instance, Britain can get more bushels of wheat per pound sterling in countries like Argentina, which accepts sterling exchange, than in the United States. Argentina is able to accept sterling because it can be used in purchasing industrial products from Great Britain.

Devaluation of the franc, by reducing its gold content, has operated to make American goods more expensive. As a result French purchases are diverted from the United States to countries in which farm products, as well as other things, can be bought more cheaply.

Purchases from Nearby Neutrals Increased

The United Kingdom and France have obligated themselves to buy increased quantities of goods from nearby neutrals, particularly Turkey and Greece. Important products included are tobacco and dried fruits. The effect is to prevent these countries from making their usual deliveries to Germany, but this in turn will decrease British and French needs for United States tobacco and dried fruits.

The United Kingdom, which normally takes about one-third of our tobacco exports, has temporarily ceased the allocation of foreign exchange for the purchase of American tobacco. British buyers, however, hold an option to purchase the usual quantities of our tobacco under an arrangement with the Commodity Credit Corporation.

Munitions Get First Call on Allies' Dollar Exchange

The economic, political and military considerations discussed above lead the Allies to buy a large part of the farm products they can not get along without from nations other than the United States. One fact further lessens the prospects for our farm exports. This is the fact that the United States is the only place where they can get many needed munitions of war. Therefore, the Allies are going to spend the major part of whatever dollar exchange they have for American munitions, especially airplanes.

Prime Minister Chamberlain has publicly announced that limited foreign exchange will force Great Britain to concentrate purchases in the United States on munitions. The same is true of France. The greatest need is for airplanes.

Since the outbreak of war, United States exports of airplanes have greatly increased, while farm exports have declined under the same period a year ago.

The press has reported an announcement by the British and French purchasing mission to the effect that orders for munitions in the United States may reach a billion dollars and that three-fourths of the demand may be for aircraft. At this rate Allied aircraft orders alone would total more than the 1939 value of all United States exports to France and the United Kingdom.

Of course, if the Allies could not get airplanes and other munitions here, they might not spend a penny more for our farm products. There is evidence that they would not spend much if any more; so the loss of a big share of the Allied market for our farm products should not in our thinking be charged solely, or even largely, to the gain in munitions markets. But certainly, the Allied need to use dollar exchange for munitions does not help the prospects for export sales of American farm products.

